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October 18, 1993

Mr. William Caton
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

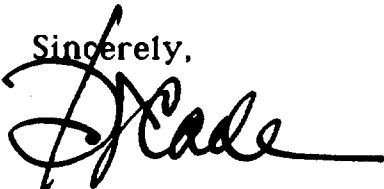
Re: Ex Parte Correspondence
RM-8159

Dear Mr. Caton:

The attached correspondence pertaining to RM-8159 was sent to Chairman Quello today. Request a copy be placed in the RM-8159 record.

If you have any questions about this correspondence, please contact me at (215) 278-7840.

Sincerely,



David J. Cade

DJC/mbt

Attachment

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October 18, 1993

The Honorable James H. Quello
Acting Chairman
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Dear Chairman Quello:

At your suggestion, I'm writing as a follow-up to our conversation at the recent Intelevent conference in Amsterdam about using radio to improve and upgrade basic telephone service in rural America.

Over five years ago, the Commission, in response to a petition from the telephone industry (USTA, OPASTCO, NTCA, NRTA and the REA), authorized local exchange carriers a small amount of spectrum to provide state-of-the-art digital radio loops in rural areas. This action established the Basic Exchange Telecommunications Radio Service (BETRS). Although several frequency bands were authorized for BETRS, the only usable frequencies are the 26 shared frequencies in the 450 MHz band. (See Attachment).

Subsequent Commission action allowing use of the same 450 MHz band for paging, coupled with increased use of BETRS, has created frequency shortages in certain locations; this has limited the application of BETRS and has hindered the growth of the service.

To alleviate the situation, last November the original petitioners requested that the Commission commence a rulemaking to authorize BETRS co-primary status with the Air-To-Ground radiotelephone service (ATG) at 450 MHz. the ATG service has 12 frequencies (and a control channel) located contiguous to the present BETRS 450 MHz frequencies. The location of the ATG channels within



the 450 MHz band, and the extensive geographic spacing between predominately urban co-channel licensees, make these frequencies ideal for sharing with the predominately rural BETR service.

Some have argued however, that cellular spectrum or even the soon-to-be auctioned PCS spectrum could be used for basic telephone service. However, the distinctive characteristics of telephone cost/price relationships and the nature of the cellular/PCS "for profit" services argue against their use for universal telephone service. A certificated telephone company normally provides telephone service on a state-wide averaged basis under tarrified rates approved by the state public utility commission. Various state and Federal mechanisms exist to assist rural telephone companies to keep the costs of telephone service within reach of all subscribers. As a result, basic telephone service (BETRS or wireline) is normally priced below embedded cost.

BETRS is, by definition, an extension of, and an economic alternative to, the wire-based infrastructure of telephone companies. Its purpose is to lower the cost of loops and therefore drive down the overall average cost of telephone service. The result of increased use of BETRS by telephone companies is to help hold down local telephone rates, reduce the nationwide subsidies needed from such mechanisms and to help assure universal services at affordable rates.

The initial establishment of BETRS has proven a success. New, spectrum-efficient digital radio technology has brought improved telephone service to rural America. However, the lack of spectrum continues to limit the service. Without access to additional frequencies for BETRS, more expensive and less capable rural loop arrangements are required.

In our view, rural America should not become the backwater of the technological revolution in wireless services that is currently sweeping urban America. Digital radio -- in the form of BETRS -- has the capability to ensure that America is not split into a land of technological haves and have-nots. Spectrum availability, however, is the key. In this regard, we would welcome an opportunity to discuss digital technology and spectrum needs in the rural context further with you and your staff.



Your interest in digital radio technologies for rural telephone improvement is encouraging. With your assistance, the year-old BETRS petition for rulemaking should move more rapidly through the regulatory process.

Thank you for the opportunity to express our views on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Cade", with a long horizontal flourish extending to the right.

David J. Cade

DJC/mbt

Attachment

ATTACHMENT

BACKGROUND ON BETRS FREQUENCIES

In 1988, the Federal Communications Commission established the Basic Exchange Telecommunications Radio Service (BETRS). The Commission authorized co-primary access to both the 450 and 150 MHz bands in the Rural Radio Service and 50 channels at 800 MHz from the Private Radio Service. The petitioners, at the time of the Report and Order and in subsequent reconsideration petitions, noted that the 150 and 800 MHz co-primary allocations would be of little use for BETRS service for several reasons:

- There was no advanced digital radio equipment specifically designed to be integrated into the telephone network available in these bands to provide the service. The 450 MHz band was the only band in which BETRS digital radio systems were available.
- There was no expression of interest by any manufacturer in providing BETRS equipment in the 150/800 MHz bands.
- The restrictions on the use of 800 MHz band within 100 miles of the top 50 MSAs and the high occupancy rate of 150 MHz in rural areas made these bands useless, regardless of equipment availability.

Experience since 1988 has borne out the forecast of the petitioners. For all practical purposes the only frequencies available for BETRS today are the 26 shared frequencies in the 450 MHz band.